

Audit Procedures – Standard Operating Procedure City of Evansville, Department of Metropolitan Development

Audits are the evaluation of the sub-recipients' or grantees' financial management of operations and are utilized by the Department of Metropolitan Development to ensure compliance with the grant award as required by the U.S. Department of Housing and Urban Development.

The Community Development Section along with the Finance Department implement internal financial management procedures consistent with Generally Accepted Accounting Practices(GAAP), 24 CFR Part 85, OMB Circulars A-87 " Cost Principles for State, Local, and Indian Tribe Governments; A-102 "Grants and Cooperative Agreements with State and Local Governments; and A-133 "Audits of States, Local Governments, and Non-Profit Organizations.

Governmental agencies are subject to the audit requirements of OMB Circular A-128. Nonprofit agencies receiving less than \$25,000 a year in Federal awards are exempt from Federal audit requirements, but records must be available for review by appropriate officials of the grantor agency or sub granting entity.

Nonprofit agencies expending \$500,000 or more in Federal funds from one or more sources in a calendar year are subject to the audit requirement of OMB Circular A-133. All federal Funds received by the organization, whether directly from a Federal agency or passed through a state or local government or some nonprofit organizations are counted toward the \$500,000 threshold. Circular A-133 applies to audits of nonprofit organizations for fiscal years which began on or after January 1, 1990. If the grantee is required to conduct an audit in accordance with either OMB Circular A-128 or OMB Circular A-133, the following language should be included in the request for audit proposals and/or engagement letter: "This audit is to be conducted in accordance with Government Audit Standards and OMB Circular A-133 (or A-128, as appropriate)."

The internal audit process is performed by the individual Community Development Specialist assigned to the specific agency beginning with the execution of the Operating Agency Agreement with the City of Evansville. Each Grantee awarded grant funds is required to present an itemized budget of anticipated grants, revenue and expenses during the grant year prior to the execution of the agreement.

Prior to the execution of the Operating Agency Agreement, each sub-recipient is requested by the Community Development staff to submit an annual budget, reflecting the federal grant amount approved by the Evansville City Council. The agency's project budget must demonstrate a line item distribution of expenses utilizing the funds awarded from the City. In addition, the agency must provide a separate budget demonstrating the distribution of all project/ activity funds expenses, including both City and other federal funds not awarded by the City of Evansville.

The assigned Community Development Specialist will review both budgets and determine whether or not the agency will be required to provide an A-133 or A-128 Audit. If the agency's budget identifies potential expenses in the amount of \$500,000 or more, utilizing federal funds, the agencies will be added to the Sub-recipient Annual Audit A-133 or A-128 Contact List maintained by the Community Development Coordinator. Nevertheless it will be the responsibility of the individual Community Development Specialist to update their

assigned agencies information if they meet the criteria requiring them to provide audit information according to the U.S. Department of Housing and Urban Development on the list located within the department contact list.

In January of the subsequent year, the identified agencies will be notified in writing that an annual audit must be conducted in accordance with Government Audit Standards and OMB Circular A-133 or A-128 and that the audit must be received in the DMD office no later than 120 days from the end of the program year being audited.

Upon receipt of the letter, the agency has seven working days to request an extension from DMD by providing a letter from the agency's accountant preparing the audit with justifiable reasons for the delay.

As invoices are submitted by the agency the Community Development Specialist reconciles the expenses against the budget and activity/project expense ledger. When the reimbursement requests are made by the agency, the agency must provide an invoice summary presenting the total line item expense incurred and the actual amount or percentage to be paid from the City portion of the budget, the original invoices paid and/or for work completed (including the Grantees own invoice on top), copies of the cancelled checks and/or proof of payment prior to or within seven (7) business days of payment made by the PJ. Failure to provide the proper documentation will result in denying payment and/or required repayment of funds by the Grantee.

A Policy and Procedure for Agency Monitoring Reports, Annual Audits and Reimbursements is provided to each Grantee when the Operating Agency Agreements are signed. The document identifies acceptable grant reimbursement expenses and provides a list of supporting documentation required to obtain a reimbursement. *Attached is a copy of the Policy And Procedures For Agency Monitoring Reports, Annual Audits And Reimbursements for a quick review.*

The Retention of Records/Audits and Inspections shall comply with 24 CFR 570.506 and 24 CFR 84.53, as modified by 24 CFR 570.502 regarding records that must be maintained for the project. All records must be accurate, complete and orderly. All project/activity accounting records and supporting documents shall be maintained in accordance with the requirements of 24 CFR 84.53 for a period of at least five (4) years after termination of the City's CDGB award and all activities funder under the individual Operating Agency Agreement. All files and records shall be made available for review to the City's Community Development and Financial staff, HUD and/or any of their authorized representatives, who shall have access to and the right to examine any of the said records, documents or other materials related to the Project during normal business hours and at any reasonable time requested by the City or HUD. The same right to review and access will be imposed upon any third party or subcontractor to ensure that any contract entered into with third parties contain all necessary clauses and language required by the City and/or HUD with its Agreements and with all federal, state, and local regulations.

All independent financial audits and annual reports should be received in the Department of Metropolitan Development Office within 120 days from the end of the grant year, unless a request for an extension has been approved by the Department of Metropolitan Development. Failure to provide the necessary financial management documentation may result in the repayment of the grant funds and ineligibility for future funding opportunities through the Department of Metropolitan Development.